Military Personnel Policy Update

Defense Advisory Committee on Women in the Services

December 3, 2002

Personnel Management

Human Resource Strategy (Military Personnel)

Overview

- Case for Change
- Methodology for Strategy Development
- Mission
- Lines of Operation/Supporting Actions
- Progress to date
- Advancing the Strategy

Case for Change External Environment

- Youth population growing…ethnic mix changing
  - Youth population - Over 27% of total population by 2010
  - Hispanic youth became the predominant minority in 2000
  - Minorities in the Military Force (1987 – 27.4%; 2001 – 35.2%)
- College enrollment rate 63%
  - Graduation rate: 4-year 42%, 2-year 38%
  - Demands better focus on college recruiting
- Enlistment propensity down (1990: 32%; 1999: 29%)
  - America's economic prosperity impacted enlistment propensity
    - Youth unemployment rate:
      - Since 1974 Average (AVF) – 17.45%

Case for Change External Environment

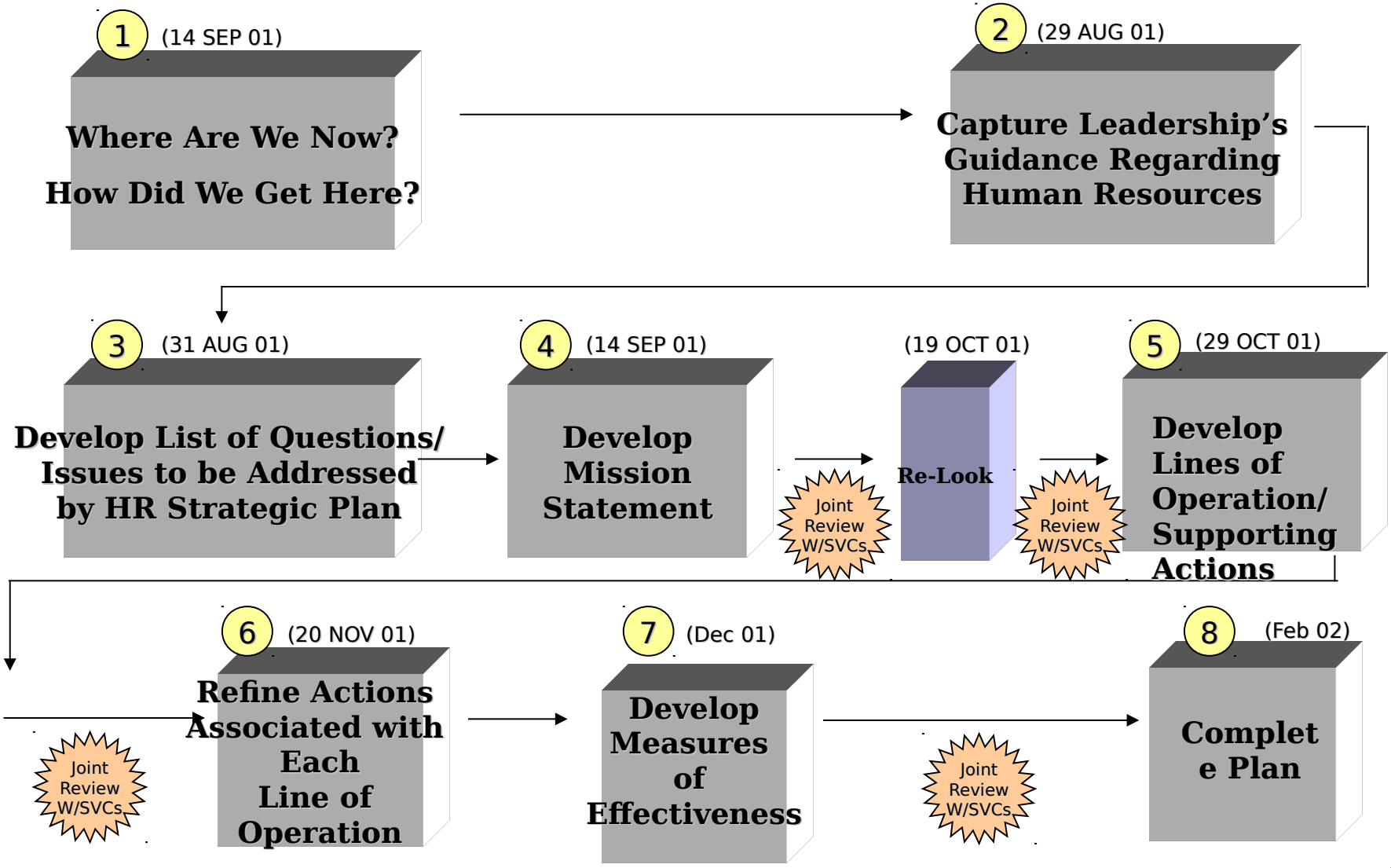
- Workforce expectations
  - Portability of retirement
  - Smooth flow from active duty to reserve and reserve to active duty
  - Leaves of absence

- Fundamental change in nature of warfare — asymmetrical operations

Case for Change Internal Environment

- 56% of enlisted force has 1+ years of college education -- compensated as high school graduates
- 97% of officers hold Baccalaureate; 44% have advanced degrees
- Duty demands may conflict with family expectations
  - 54% married; 47% have children
  - Military Spouse employment – (1995: 60.4%; 1999: 69.6%)
  - Older military members with younger children
- Draw down resulted in some undersized year groups
- End-strength achievement masks manning shortages
- High PERSTEMPO has a potentially adverse effect on retention

Methodology for Strategy Development



Mission

To provide Human Resource policies, programs, and legislation that ensure the right number of military personnel have the requisite skills, abilities, and motivation to effectively and efficiently execute assigned missions

Lines of Operation

1. Increase willingness of American public to recommend military service to our youth
2. Recruit the Right Number and Quality
3. Develop , Sustain, and Retain the Force
4. Transition Members from Active Status
5. Sustain the Process and Maintain its Viability

To provide Human Resource policies, programs, and legislation that ensure the right number of military personnel have the requisite skills, abilities, and motivation to effectively and efficiently execute

Line of Operation #1

- **Increase willingness of American public to recommend military service to our youth**
  - **Peers, parents, other adult influencers and opinion makers outside the Armed Forces**
  - **DoD workforce members**

Line of Operation #2

- **Recruit the right number and quality**
  - **Achieve qualitative and numerical goals**
  - **Promote effective and efficient selection and assignment testing procedures**
  - **Reflect the society we protect**
  - **Establish transparent migration opportunities between components, as well as other manpower sources**
    - **Develop and execute pilot test for lateral entry**
    - **Identify policies and practices that leverage civilian skills into the DoD.**

Line of Operation #3

- **Develop, sustain, and retain the force**
  - **Determine if current incentives motivate performance and retain or transition members at the right time**
  - **Balance PERSTEMPO and mission accomplishment**
  - **Review language and cultural training curricula… adjust as appropriate**
  - **Study interrelationship of career lengths, promotion-timing, and compensation/benefits to ensure optimal career patterns**
  - **Complete study of Service programs designed to prepare officers to serve in GO/FO positions**
  - **Study an indefinite (re) enlistment option for enlisted members**

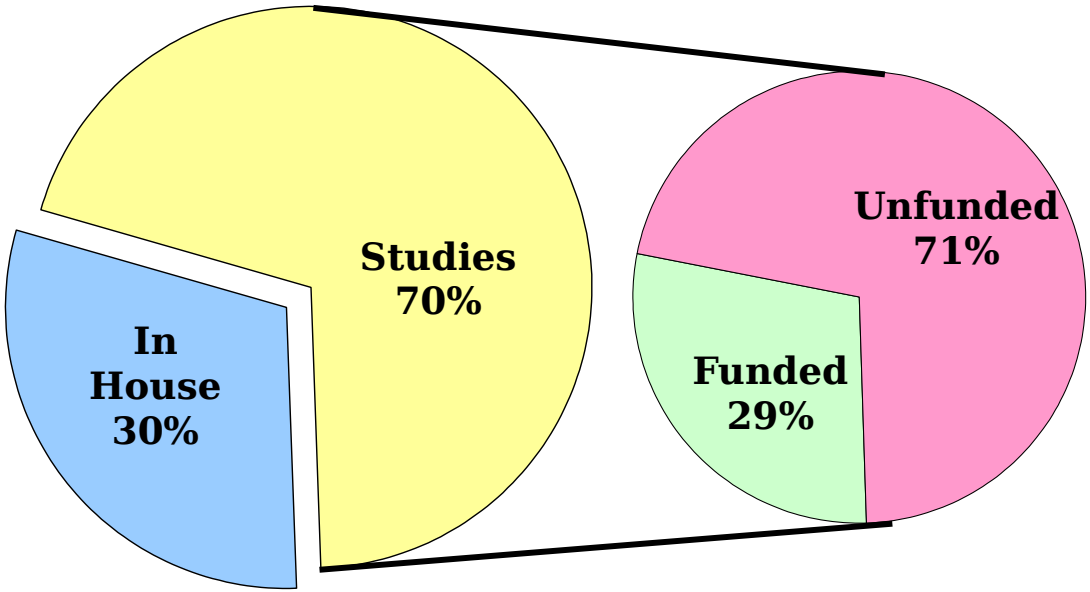
Line of Operation #4

- **Transition members from active status**
  - **Study means of enhancing participation, portability, vesting and equity of military retirement alternatives and propose appropriate recommendations**
  - **Enhance programs that assist members in transitioning between components, other government service or private sector**

Line of Operation #5

- **Sustain the process and maintain its viability**
  - **Establish process and forum to authoritatively and systematically review/modify HR Strategy…ensure effective execution…share and develop recruiting and retention “best practices”.**
  - **Posture for successful implementation of HR strategy**

Task Break Out



Total Cost	$7,840,000
Funded	2,050,000
** Unfunded	5,790,000

- 40 Total Tasks
  - 12 In House
  - *28 Studies

- 28 Study Tasks
  - *20 Unfunded
  - 8 Funded

FY02

* Includes 4 Follow-on Studies
** Estimated Contract Costs

Progress to Date
--Funded Studies--

- **Increase willingness of parents and other adult influencers to recommend military service to American youth.**
  - **Long term integrated communication campaign.**
  - **Goal is to increase adult likelihood to recommend military service by 5%.**
  - **Projected completion date: on-going (only partially funded)**

Progress to Date
--Funded Studies--

- **Provide flexible and competitive compensation systems to achieve desired force profiles.**
  - **Contractor to compare levels of pay of military members to comparable civilians**
  - **Measure percentage change over time in SRB/CSRB/EB programs**
  - **Projected completion date: March 2004**
- **Assess non-monetary incentives that support retention**
  - **Contractor will develop comprehensive catalog of non-monetary incentives offered to members**
  - **Projected completion date: March 2003**

Progress to Date
--Funded Studies--

- **Balance PERSTEMPO and mission accomplishment.**
  - **Contractor completed report to Congress identifying opportunities to improve PERSTEMPO reporting process**
  - **Projected completion date: Legislative proposals submitted for FY 2004 ULB slate.**
- **Identify opportunities to improve retention environment – Sabbaticals**
  - **Contractor to assess sabbatical-type programs for military members and draft implementation guidance**
  - **Projected completion date: Dec 2002**

Progress to Date
--Funded Studies--

- **Study future officer modeling.**
  - **Contractor conduct study to determine interrelationship of variable officer career lengths, promotion timing and in-career compensation and benefits.**
  - **Projected completion date: June 2003**
- **Implement a 2-year pilot program putting in place an "up or stay" promotion process.**
  - **Contractor will access potential career areas or year groups for trial implementation.**
  - **Projected completion date: June 2003**

Progress to Date
--Funded Studies--

- **Study to determine General/Flag officer requirements**
  - **Contractor to research area and develop sufficient report on current and future requirements for GO/FOs**
  - **Projected completion date: June 2003**
- **Study means of enhancing participation, portability, vesting, and equity of military retirement alternatives**
  - **Contractor will conduct study, develop prioritized list of alternatives, and propose recommendations.**
  - **Projected completion date: Aug 2003**

Progress to Date
--In House--

- Increase employer awareness of the importance of supporting Reserve members
  - Synchronize PA mission with committee activities.
  - Develop strategic plan to increase employer contacts.
  - Projected completion date: TBD
- Access enlisted AD/RC personnel with the right level of education and aptitude; right number of enlisted in the required skills to meet readiness requirements
  - Develop and track quality metrics; monitor incentive programs; penetrate college market; and increase minority recruiting.
  - Projected completion date: On-going

Progress to Date
--In House--

- **Meet the Services' officer accession targets annually and ensure Services have OCS/OTS surge capability.**
  - **Compare actual officer accessions to requirements by skill areas on an annual basis.**
  - **Task services to create surge plans; evaluate plans; monitor surge capabilities.**
  - **Projected completion date: on-going**
- **Validate Armed Services Vocational Aptitude Battery (ASVAB)**
  - **Validate ASVAB; obtained Joint Service agreement; identified specialties; Active working group**
  - **Projected completion date: Jun 2004**

Progress to Date
--In House--

- Modernize, develop, and execute lateral entry pilot tests
  - Obtain resources to modernize Armed Services Vocational Aptitude Battery testing.
  - Complete feasibility study; compare prototype (pilot tests in schools); Assess the feasibility of implementing Internet-based testing at Mobile Examining Team (MET) sites.
  - Projected completion date: Sep 2004
- Develop policies and programs to facilitate a seamless transfer from active duty into the Selected Reserve to meet Service needs and individuals desires.
  - Services working group to develop policy and procedures for seamless transfers.
  - Projected completion date: Dec 2003

Progress to Date
--In House--

- Review the proposals outlined in the 9th QRMC
  - Summarize QRMC proposals; evaluate military Regular military compensation (RMC) with comparable civilian incomes.
  - Projected completion date: March 2004
- Ensure the force is manned with the right number of military members in the appropriate skills
  - Develop standard definition for manning calculation.
  - Services report status of strength targets and estimate end of fiscal year end strength.
  - Projected completion date: Mar 2003

Progress to Date
--In House--

- Review recommendations made in Overseas Assignment Incentives study
  - Incorporate policy revisions in DoDD 1315.7 and propose legislation for ULB slates for FY03 and FY04
  - NDAA 03 - Assignment Pay; Extended time for COT leave; Alternate location for overseas tour extension program;Vehicle storage for non-foreign locations
  - Projected completion date: Upon publication of NDAA 04
- Review the language and cultural training curricula for DoD
  - Surveys projected Services; review programs; follow up surveys; brief DoDD scope
  - Projected completion date: Dec 03

Progress to Date
--In House--

- Complete study of Service programs designed to prepare officers to serve as General/Flags.
  - Review military department reports; develop a pool of G/FOs with appropriate skill sets.
  - Projected in-house completion date: Dec 02
  - Task may require contract study.
- Develop legislative and policy changes to place Service Chiefs and Combatant Commanders under the same tenure as the Chairman.
  - Awaiting SecDef decision; then will draft legislative proposals and submit through FY04 ULB.
  - Projected completion date: Upon publication of FY04 NDAA.

Progress to Date
--In House--

- **Ensure legislation and funding processes are in line with the HR strategic plan.**
  - **MPP Legislative slate assessed for proposals' relativity to the Human Resource Strategic plan.**
  - **Projected completion date: On going task**

Advancing the Strategy

…with so many initiatives, this has to be a deliberate process

- **Get resources in place**
  - **Shaping Defense Planning Guidance ’04**
  - **Will drive Program and Budget for ’04**
- **Develop (funded) legislation**
  - **Unified Legislation and Budgeting review for ‘04**
  - **Potentially urgent items identified out of cycle, e.g., force shaping authorities to transform the force**

Regular vs. Reserve
(Initial Appointments on Active Duty)

National Defense Authorization

FY 2002 Legislation

- **Section 597, NDAA FY02, P.L. 107-107, 115 Stat. 1012**
  - **The Secretary of Defense shall submit to Congress a report on the legislative and policy changes required to implement the recommendation of the Defense Science Board that all officers be given initial regular commissions.**
  - **The Secretary shall include in that report a description of the measures necessary to transition the current active-duty officer corps to an all-regular status, if the Board's recommendation were adopted.**

Defense Science Board Recommendation

"Final Report on Human Resources Strategy''- Feb 28, 2000

- **The commissioning system itself may affect retention.**
  - **Statutory provision that providing a *reserve* rather than a *regular* commission to career officers may be adding to the pressure to leave active service immediately on completion of obligated tours (predominantly after five years).**
  - **Different commissions work against the sense of commitment and devotion to a calling that are central to commissioned officer service and have characterized America's career officer corps throughout its history.**

"All active duty officers should be commissioned as regular officers regardless of the source of their commission."

Current Service Policies

Army and Air Force:

Appoints the majority of commissioned officers on the active duty list in a Regular component upon selection to the grade of Major.

Marine Corps:

Appoints the majority of commissioned officers on the active duty list in a Regular component upon selection for the grade of Captain.

Navy:

Affords all commissioned officers that have served four years on active duty the opportunity to apply for consideration before a Regular appointment board. Those officers not selected are automatically screened for Regular appointment at the six-year point. Officers not selected at the six-year point, but who are subsequently selected for appointment to Lieutenant Commander, are automatically selected for augmentation into the regular

USD(P&R) Recommendation

Regular Commission to all active duty officers

- **Commission officers based on where they are going to serve: Regular Commissions for all officers going on active duty and Reserve Commissions for all assigned to units in the Reserve Components for the following reasons:**
  - **Maintains a clear association of commissioning source (Regular vs Reserve) with distinctive component (Active vs Reserve Component);**
  - **Removes the negative connotation associated with having a Reserve Commission;**
  - **Eliminates the use of a type of commission as an assessment tool; and**
  - **All officers from every source of commission will have the same status if they are on active duty throughout their military careers.**

Next Steps…

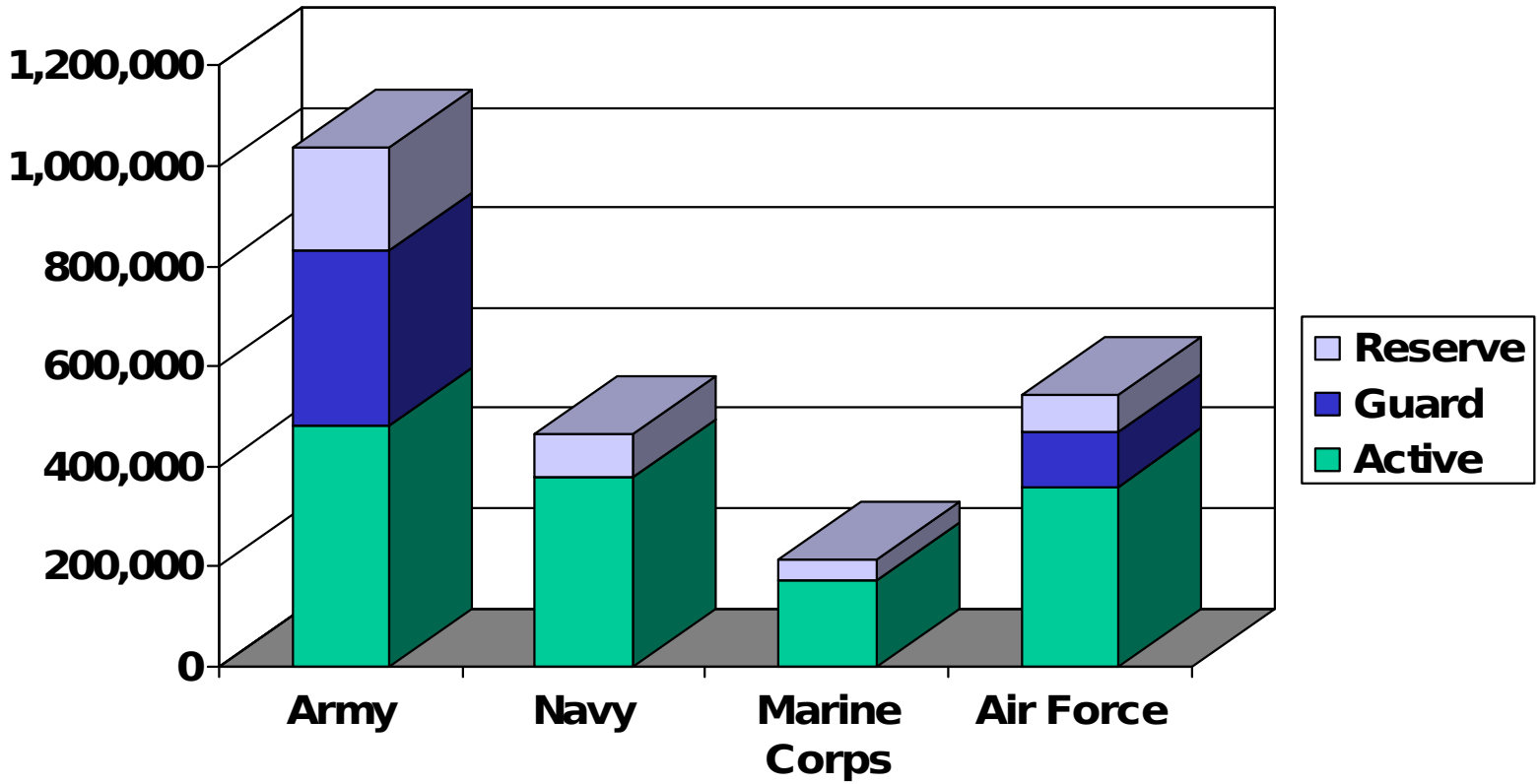
- Report to Congress from the DoD
- Service review and analysis of implications of transition to an all-regular active component
- Draft Legislation for review and approval
- Manage in the context of FY05 ULB Process
- Policy changes will be required at DoD and Service levels
  - Are we changing legislation?
  - Is there a change required to DoD Policy?
  - Do we need to change Service Policy?

Recruiting Update

Dr. Curtis L. Gilroy, Director
Accession Policy

Office of the Under Secretary of Defense
(Personnel and Readiness)

Military Force – FY2002

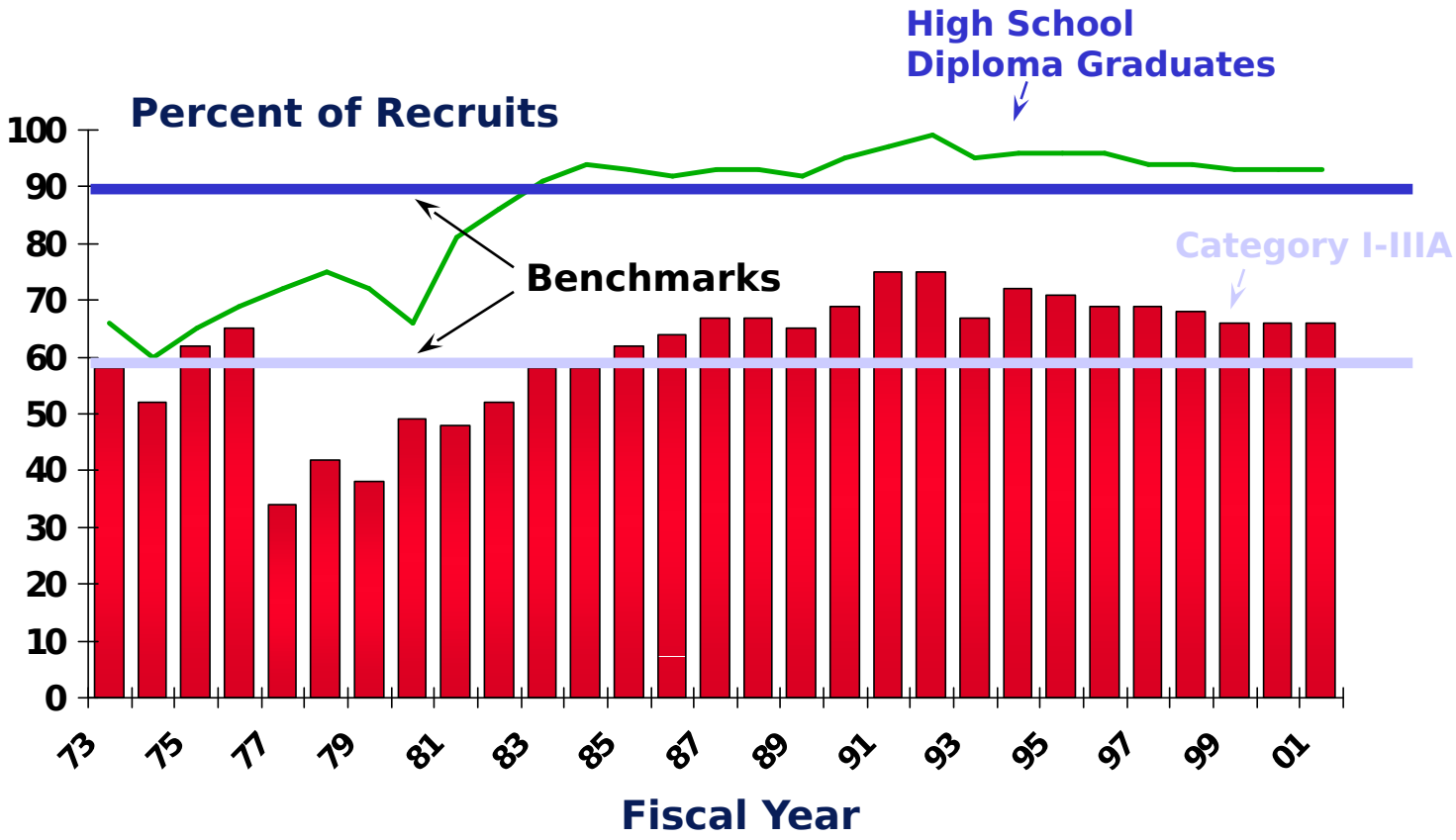


Recruiting Production – Active & Reserve FY 2002

	Active Component		Reserve Component	
	Enlisted	**Officer**	**Enlisted**	**Officer**
Army	79,500	5,815	104,636	9,578
Navy	46,150	4,580	15,355	2,003
Marine Corps	32,739	1,205	10,090	506
Air Force	37,283	6,015	17,048	3,293
Total DoD	**195,672**	**17,615**	**147,129**	**15,380**

DoD Recruit Quality

Active Duty Enlisted



ASVAB Misnorming, 1977-81. Data Displays Include "Service Official" for 1981-2001; Previous-Year Data is DMDC Historical.

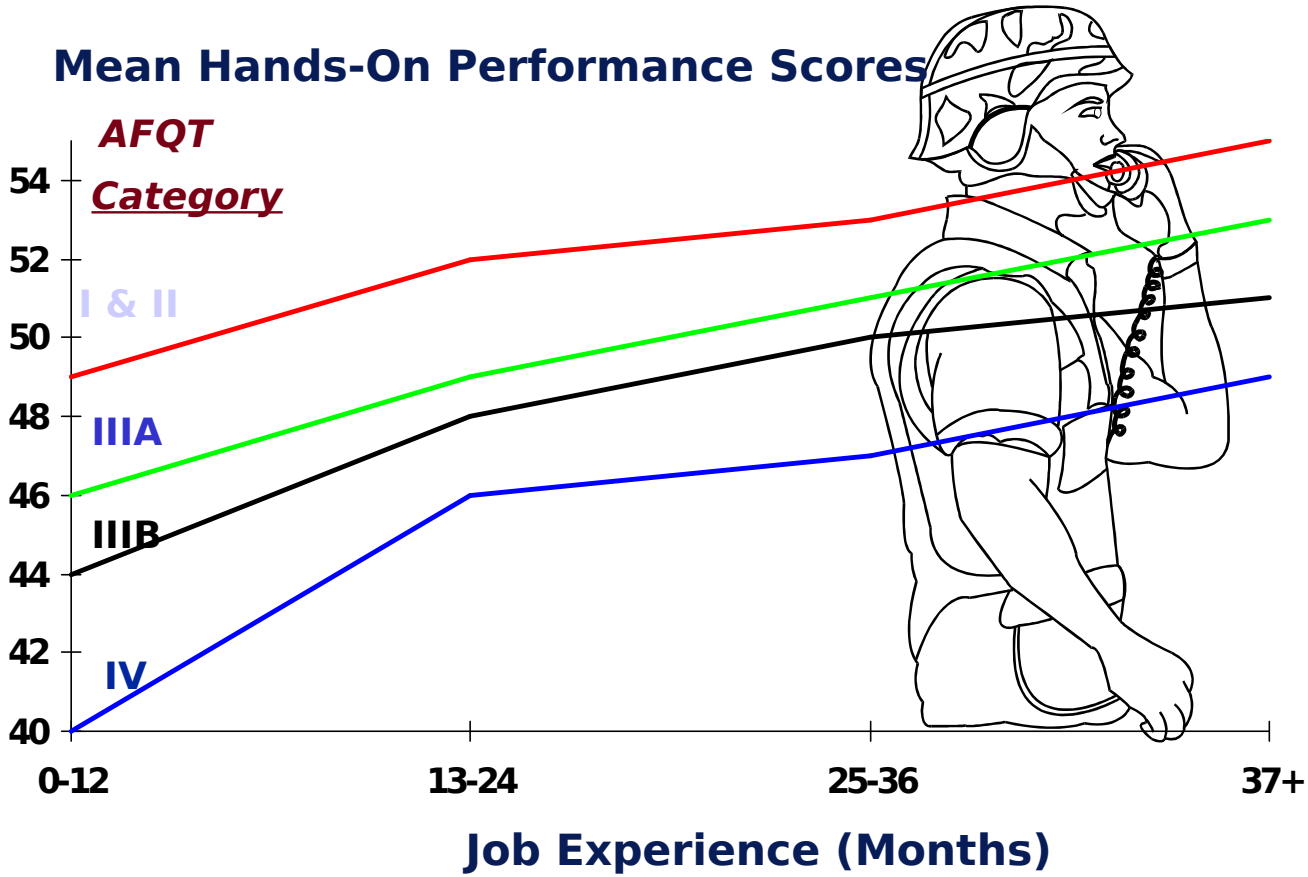
American Youth Population: 79 percent HSDG / 50 percent Category I-IIIA.

Education Predicts Retention

How Many Complete Their First Enlistment:

- **High School Diploma 80%**
- **Other Credential (e.g., GED) 60%**
- **Non-Graduates 50%**

Aptitude Predicts Performance



AFQT Percentile: I (93-99); II (65-92); IIIA (50-64); IIIB (31-49); IV (10-30)

The Recruiting Challenge

Recruiters…

- **Top Performers**
- **Involved in their Communit**
- **Work 60+ Hours Weekly**

140 Contacts

Up From 100 in 1990

22 Appointments

14 Discussions

3.4 Tested

1.7 Qualified

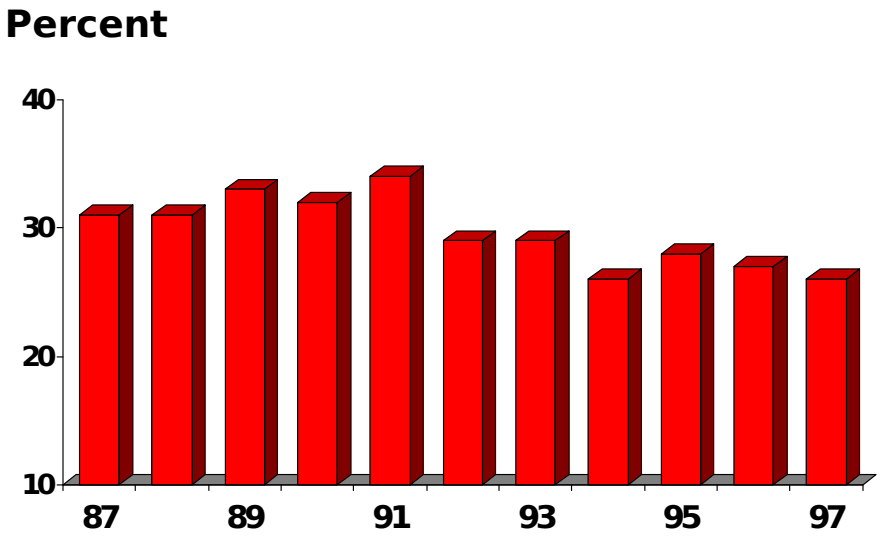
1.2 Contracted

1 Accessed

To Recruit One High-Quality (~~HSDG, I-IIIA~~) Youth. Source - U.S. Army Recruiting Command

Youth Interest & Availability

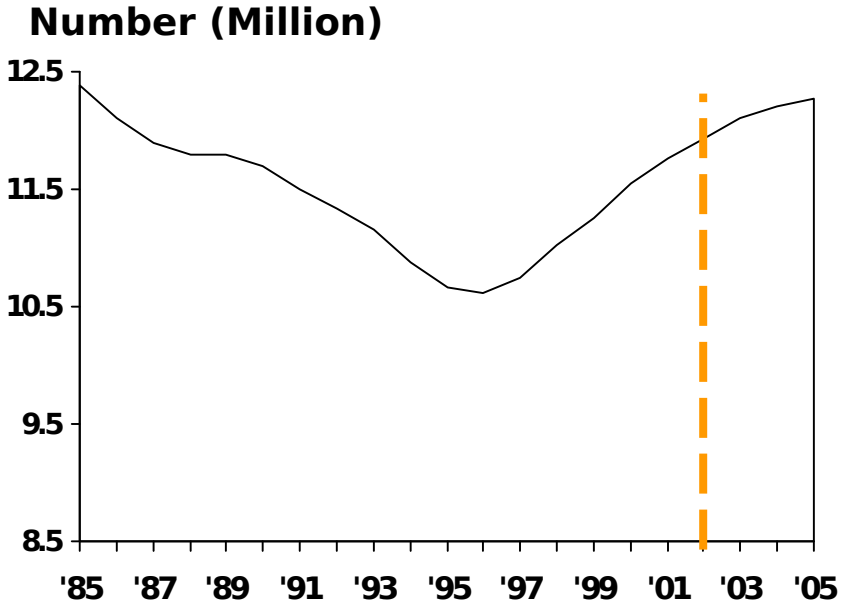
Changing Interest...



Enlistment Propensity for 16 to 21 Year-Old Men

Reporting “Definitely” or “Probably” Interested in Military Service

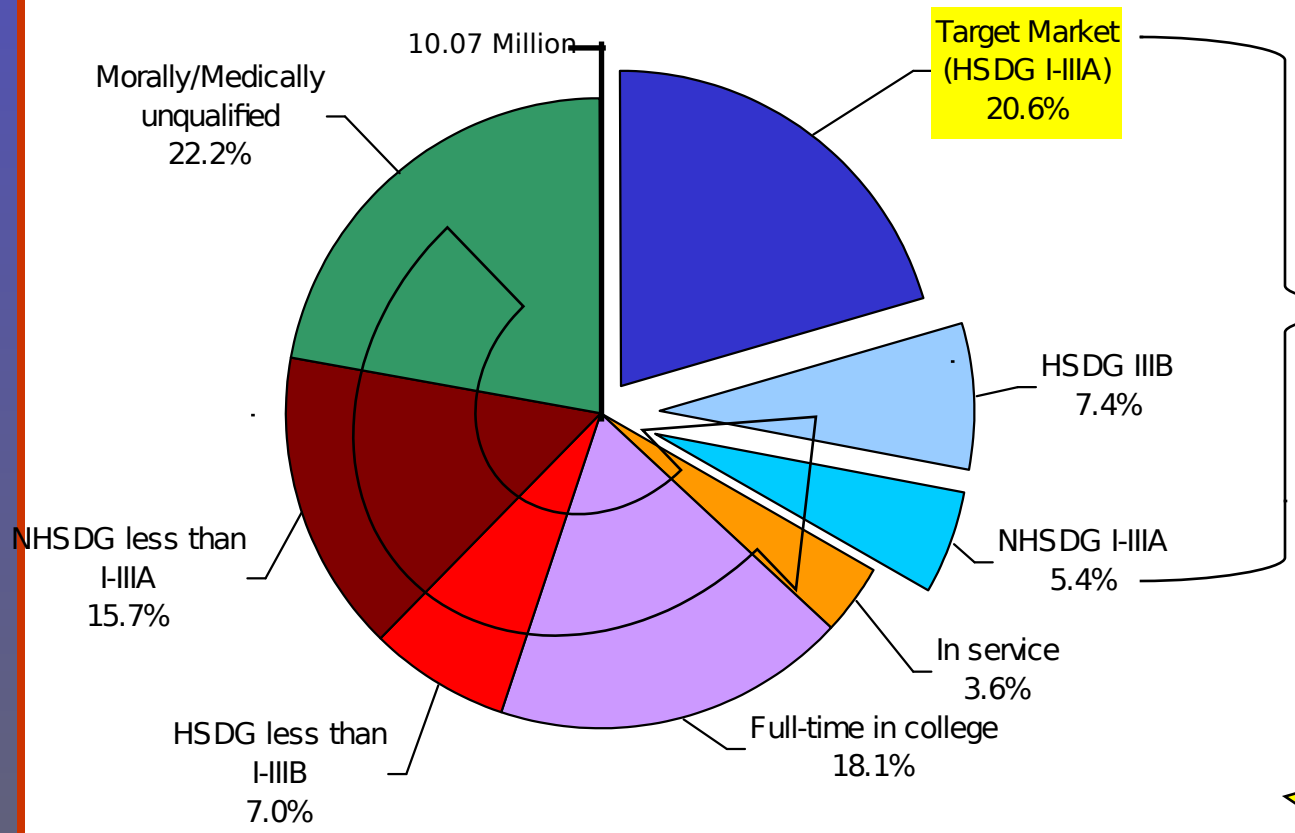
Increased Number...



Male Population, Ages 18-23

Source: Statistical Abstract of the United States, 1997

Target Accession Market - Males (17-21)

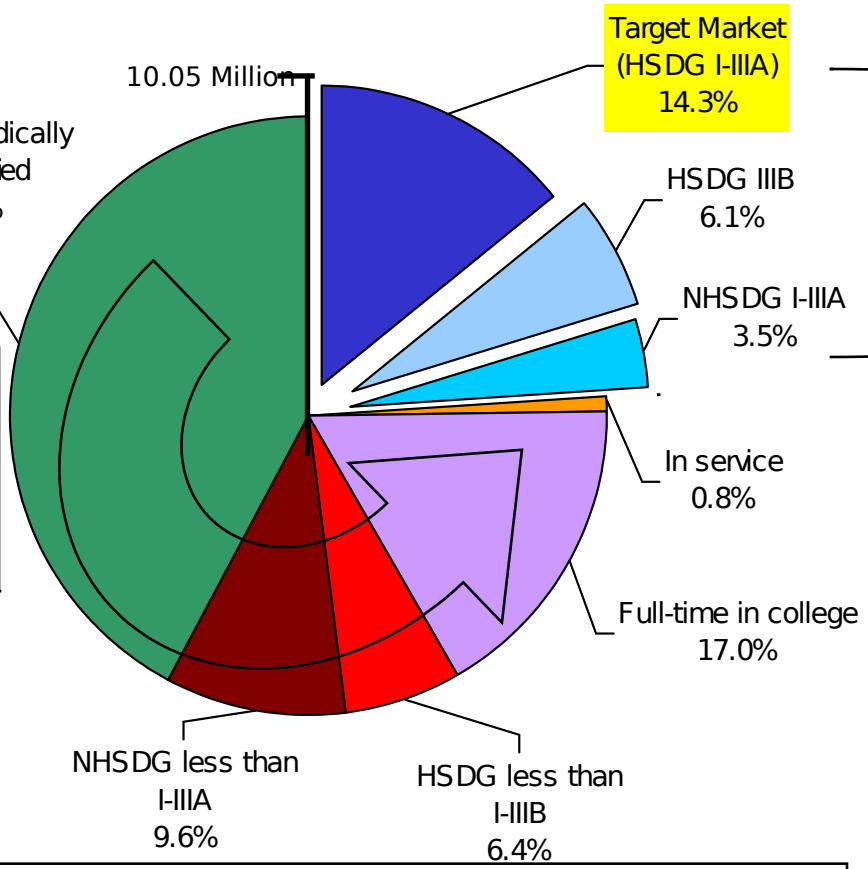

10.07 Million
Morally/Medically unqualified 22.2%
Target Market (HSDG I-IIIA) 20.6%
HSDG IIIB 7.4%
NHSDG I-IIIA 5.4%
NHSDG less than I-IIIA 15.7%
In service 3.6%
Full-time in college 18.1%
HSDG less than I-IIIB 7.0%
Market Available for Recruiting (33.4% or 3.36 Million)

Male (17-21) Target Market 2.07 Million

- **Target accession market is high school graduates with a test category of I-IIIA**
- **Test categories (I-V) are based on AFQT score**
- **NHSDG: Non-High School Diploma Graduate**
- **HSDG: High School Diploma Graduate**

Source: Estimates of the Recruiting Potential of the Youth Market, Don Bohn Navy Recruiting Command (8 [illegible]00

Target Accession Market - Females (17-21)



Market Available for Recruiting (23.9% or 2.40 Million)

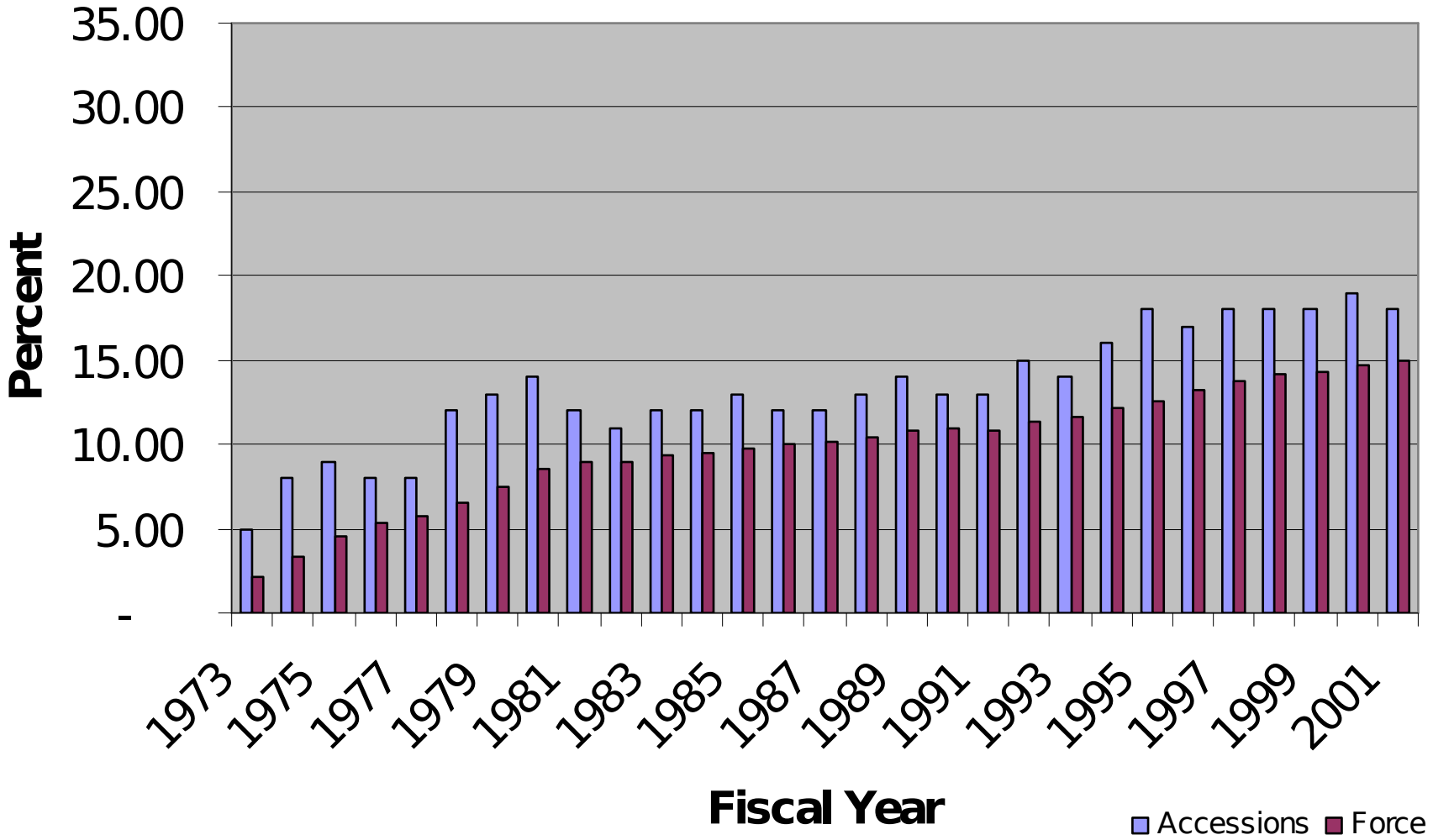
32% of females are disqualified due to weight

Female (17-21) Target Market 1.44 Million

- **Target accession market is high school graduates with a test category of I-IIIA**
- **Test categories (I-V) are based on AFQT score**
- **NHSDG: Non-High School Diploma Graduate**
- **HSDG: High School Diploma Graduate**

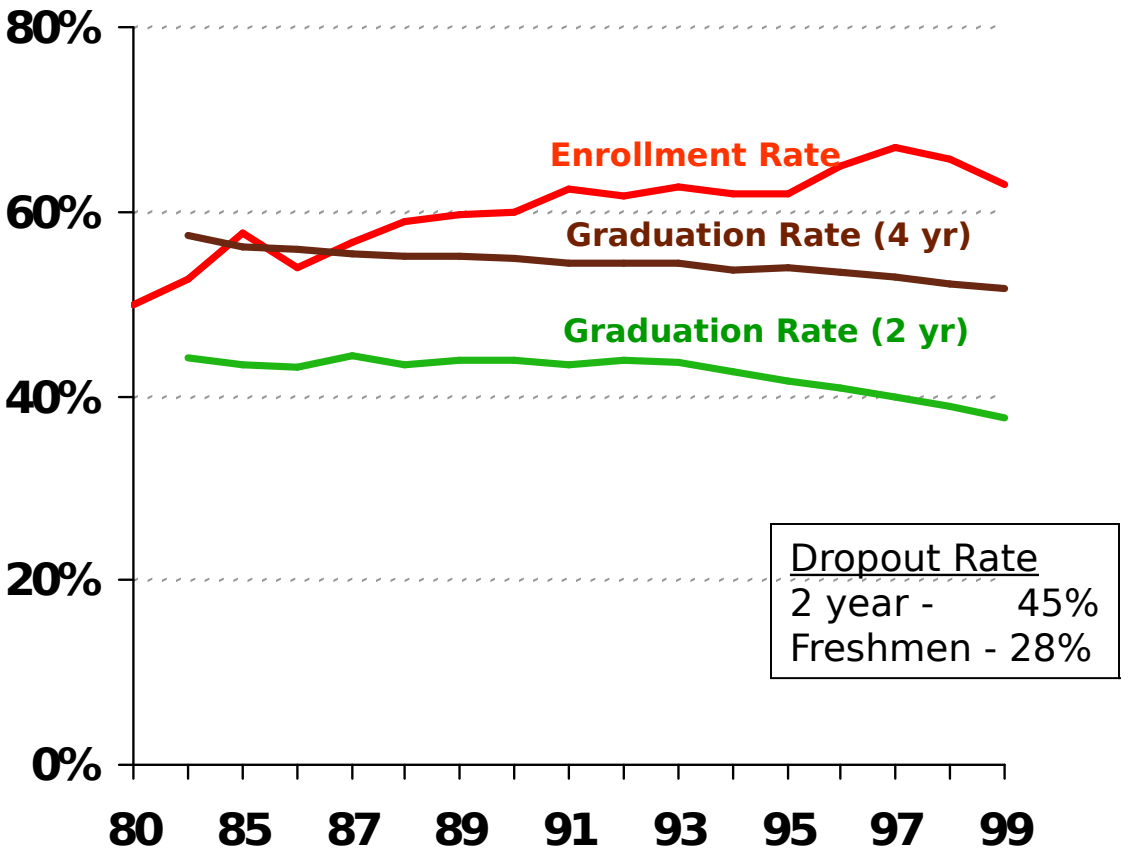
Source: Estimates of the Recruiting Potential of the Youth Market, Don Bohn Navy Recruiting Command (8

Active Duty Female Representati



A Further Challenge – the College Market

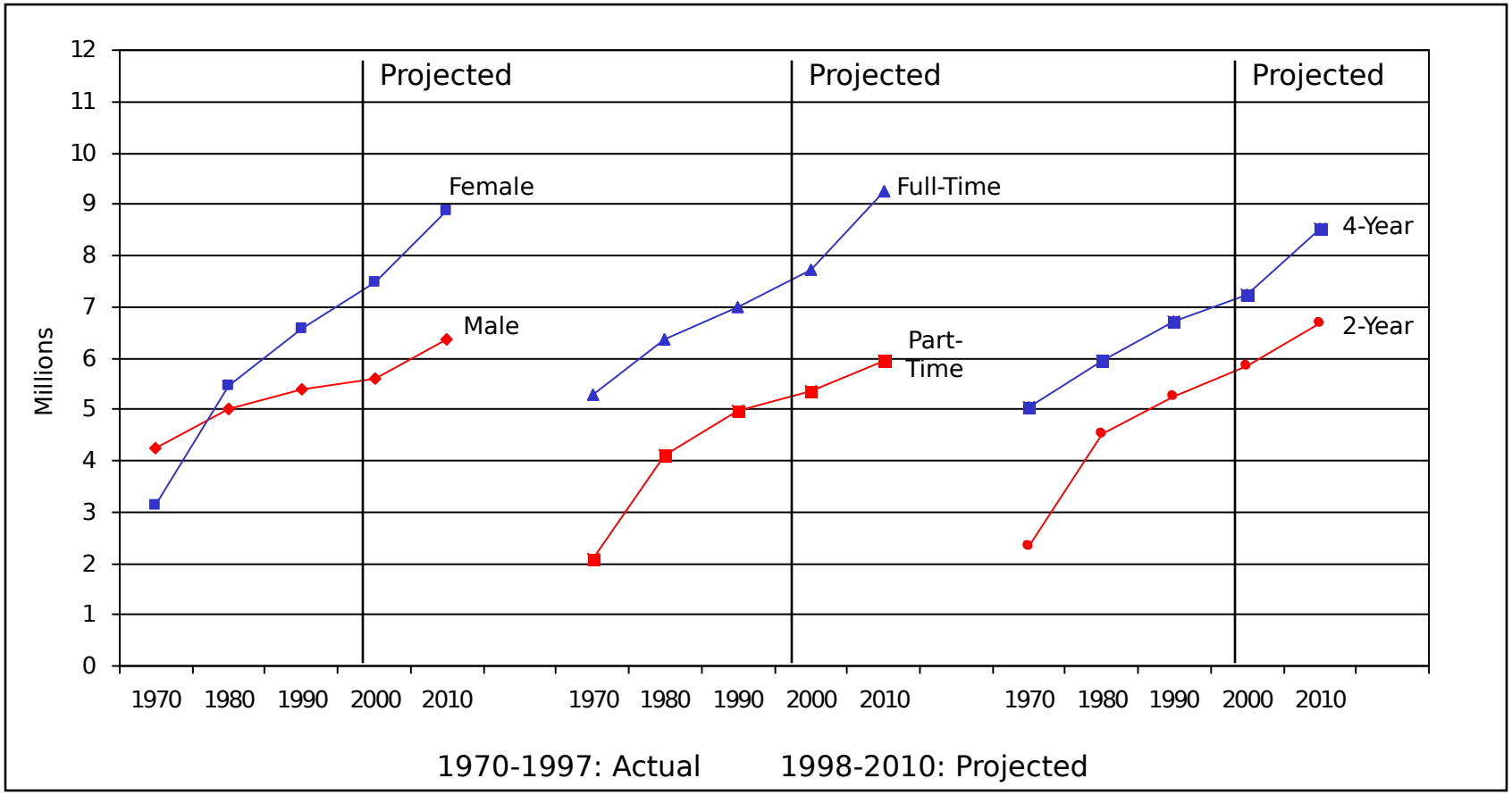
Percent of HS Seniors who enroll in college after graduation



Source: Digest of Education Statistics 2000

ACT News Release, National College Dropout and Graduation Rates, 1999

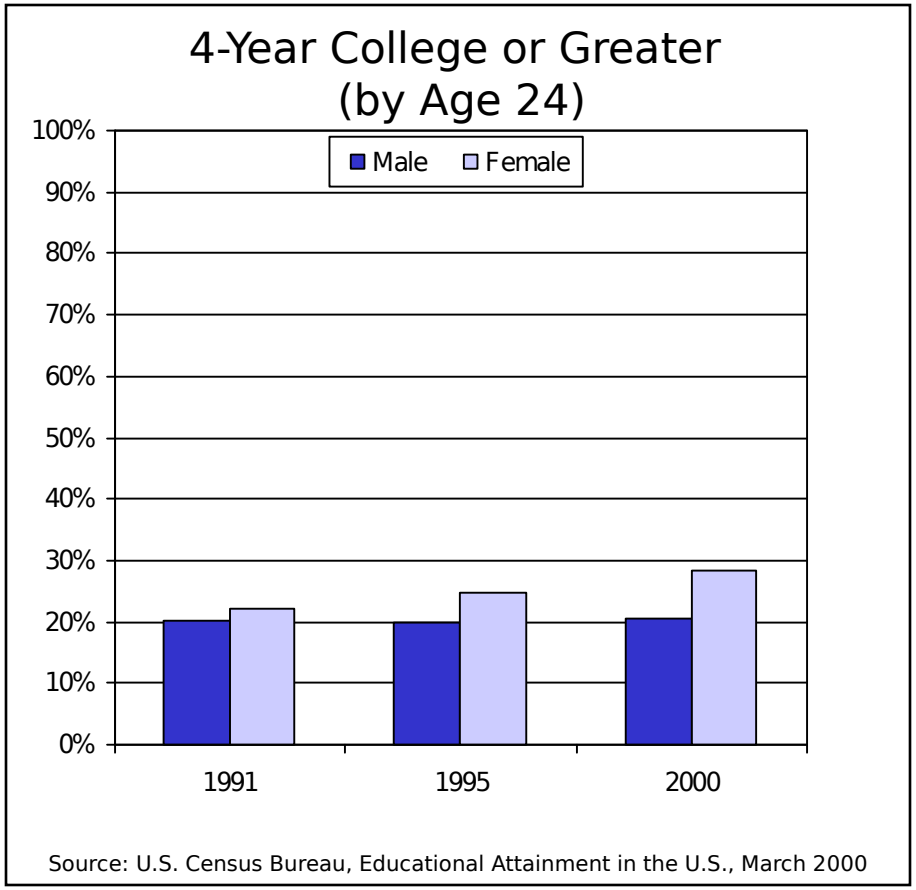
College Undergraduate Enrollment



Future growth in enrollment is expected to be greater for females, in full-time and 4-year programs

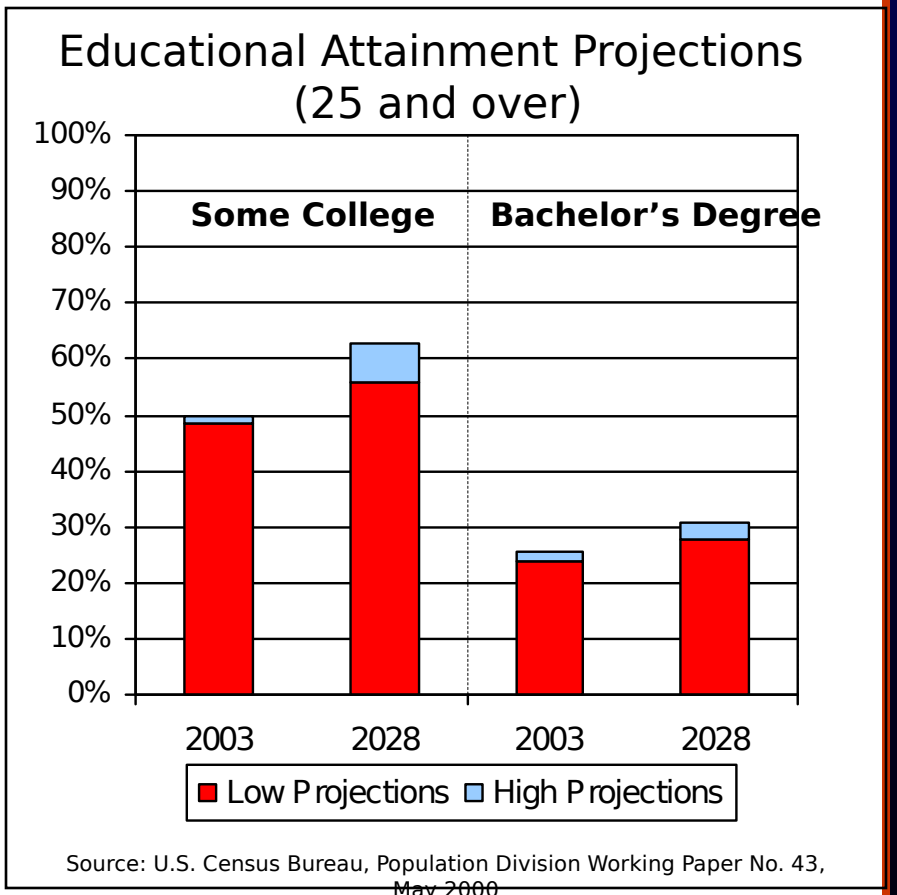
Source: The Condition of Education 2001

Educational Attainment - College



Source: U.S. Census Bureau, Educational Attainment in the U.S., March 2000

Women have surpassed men in 4-year college degree attainment and continue to make gains



Source: U.S. Census Bureau, Population Division Working Paper No. 43, May 2000

Some College and Bachelor's Degree attainments are expected to increase

Two Year Institutions

Of students who enrolled in 2-year public institutions in AY 1989-90

- Only 58 percent returned for a 2nd year; by **1994…**
  - 51 percent earned a degree
  - 31 percent weren’t enrolled, didn’t get a degree
  - 18 percent were still enrolled, had no degree
- Of the 42 percent that dropped out in AY 1990-91, by **1994**…
  - 50 percent were still dropouts

Four Year Institutions

Of students who enrolled in 4-year institutions in AY 1989-90

- 84 percent returned for a second year; by **1994**…
  - 68 percent attained a degree
  - 15 percent were still working on a degree
  - 17 percent disenrolled without a degree
- Of the 16 percent who left school, about two-thirds returned.

Primary Reasons for Dropping Out

"Studies have shown the three primary reasons for students' dropping out of college to be financial problems, inadequate academic preparation and difficulty adapting to college life"

- Wes Habley, Director of the ACT Office for the Enhancement of Educational Practices

Conclusions

- **Attending college is becoming the norm**
  - Projections indicate more than 60 percent of those 25 and older will have at least some college and more than 30 percent will have a Bachelor's degree
- **But many students stop-out/drop-out of school**
- **Recruiting efforts can focus on . . .**
  - Students who return for a second year, but eventually drop out
  - Students who stop-out, return to school, and drop-out
- **Must look to the college market for new recruits**

To Stimulate Interest

In the high school and college markets

Advertising

- To Generate Awareness

Education Incentives

- From $19,000 to $50,000 for Colle

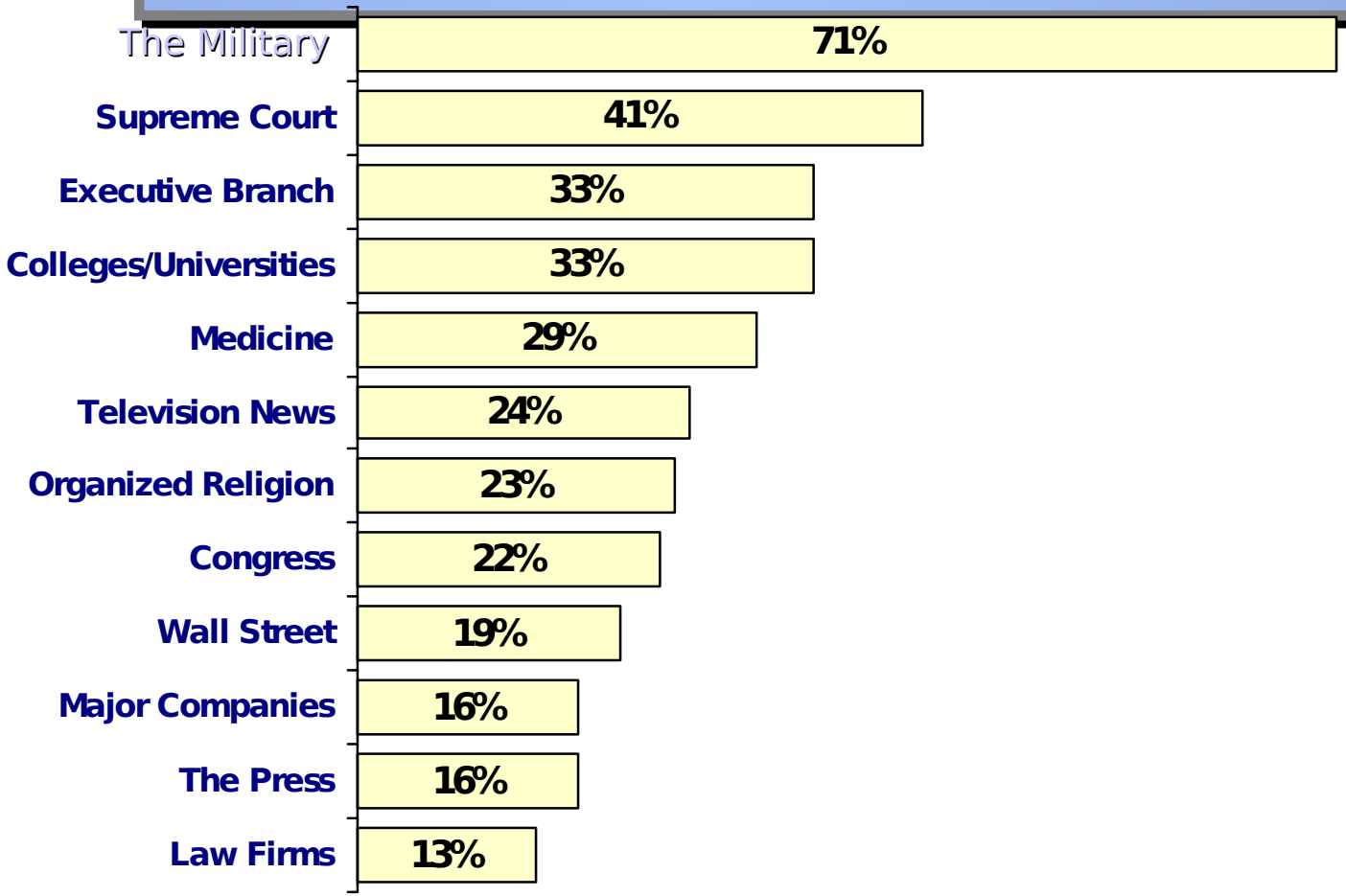
Financial Incentives

- Enlistment Bonus Up to $20,000

Recruiters

- Single Greatest Multiplier

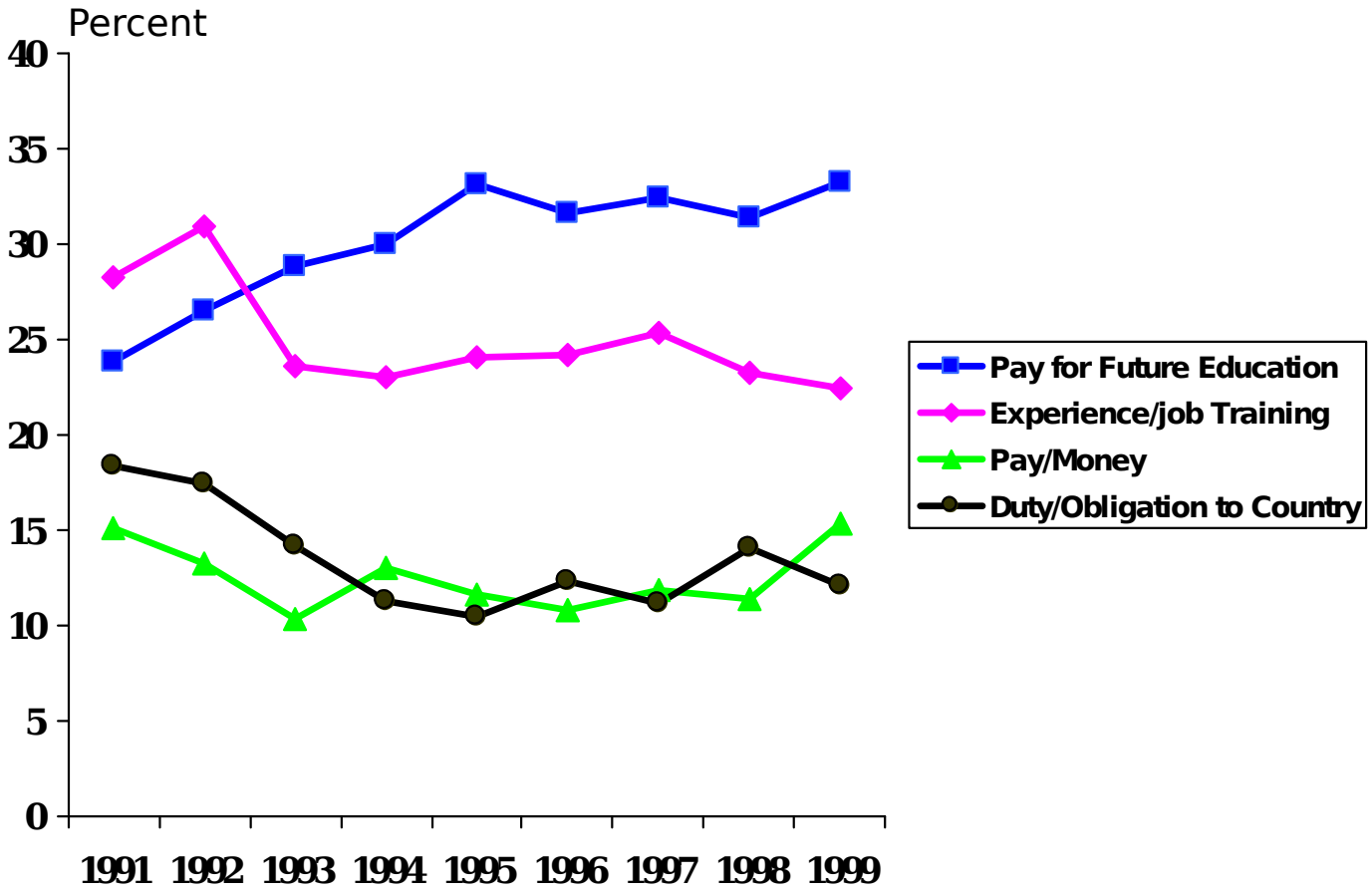
Confidence in Institutions



Source: 2002 Harris "Confidence in Institutions" Poll – Military has been # 1 for last 20 years

Reasons for Joining

"If you were to consider joining the military, what would be the main reasons?"



Source: 1990 - 1999 YATS; 16-21 Year-Old Males

Montgomery GI Bill

MGIB Program Highlights

- Over 96 percent of new accessions enroll
- Basic MGIB estimated to cover 85 percent of all four-year public college costs
- Can now use MGIB while on Active Duty to pay difference between actual cost of off-duty education and Tuition Assistance
- All Servicemembers have option to contribute an additional $600 to increase their benefit an additional $150 per month

MGIB Benefits

Basic Benefit:

- FY03 monthly rate for 3+year term of service is $900 ($732 for 2 year term) ($32,400 max benefits)
- FY04 monthly rate increases to $985/month
- FY02 rate was $800 a month
- MGIB - Selected Reserve monthly rate is $276 a month

Active Duty College Fund:

- Up to $50,000 when combined with the MGIB

Selected Reserve “Kickers”:

- Up to $350 each month in addition to the basic MGIB-SR benefit

MGIB Transferability

- NDAA 2002 allows:
  - Secretaries of the Military Departments to offer at their discretion
    - Limited to Servicemembers in designated critical specialties
    - Transfer up to half (18 months) basic MGIB benefit to spouses and/or children
    - May be used for enlisted and officer
- Servicemember must:
  - Have completed at least six years of service
  - Agree to serve at least four more years
  - Designate in writing who receives how many months
- Navy and Air Force will conduct limited MGIB transferability tests in FY03
- Service must pay additional costs associated with transferability

Conclusion

Clear Objectives
(Number & Quality)

+ Adequate Resources

+ Aggressive ~~Oversight~~

= Success

bility)

Compensation

Overview

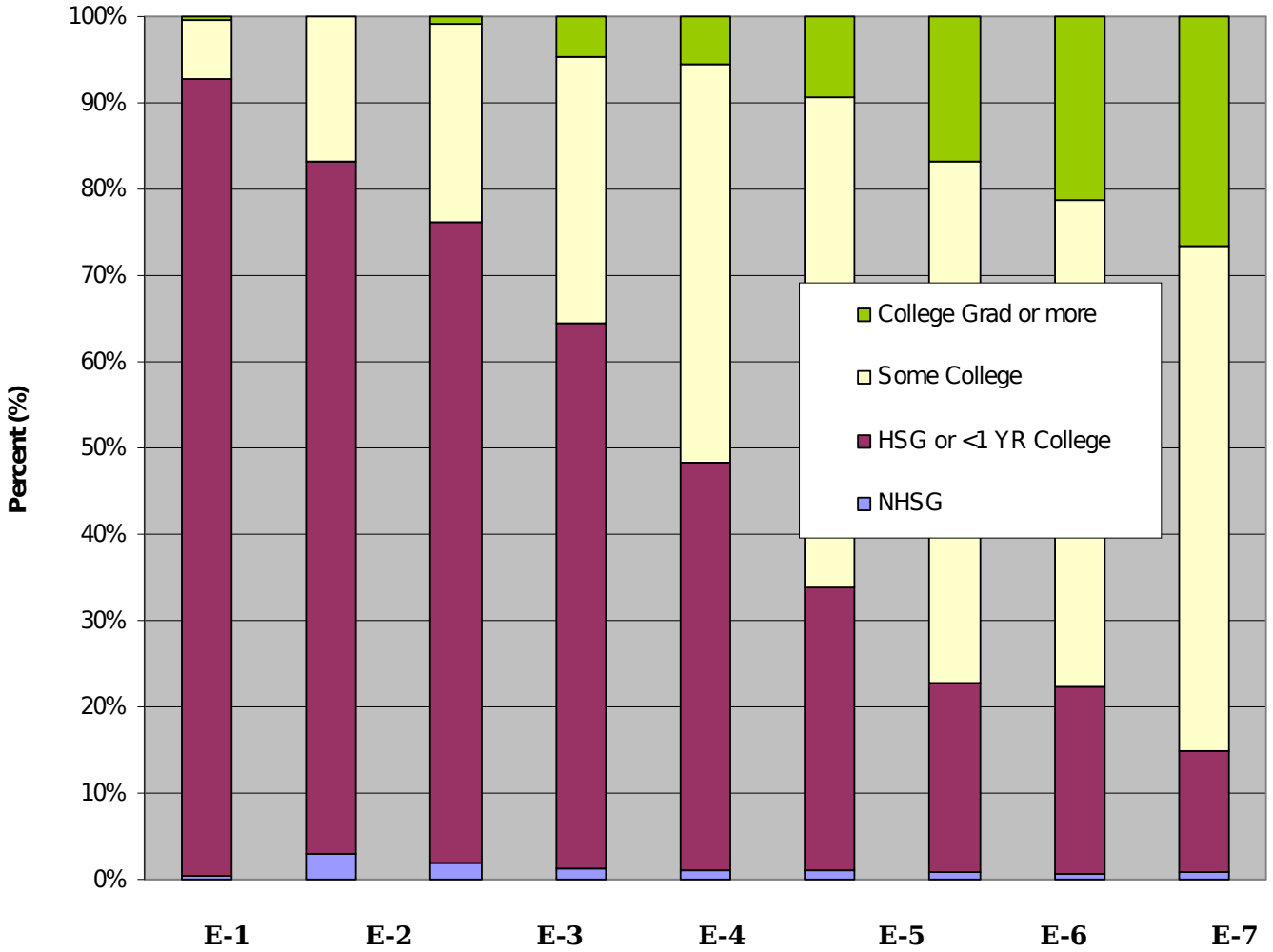
- Pay Raise
- Housing Allowance
- BAS Reform
- Household Goods Weight Allowance Initiative
- Special & Incentive Pays
- Retirement Reform
- Thrift Savings Plan
- Long Term Health Care Insurance

9th Quadrennial Review of Military Compensation

- **Finding: Substantial change required to enlisted pay structure**

- **Comparing enlisted pay against that of high school graduates is no longer appropriate due to increased educational levels**
  - **Rise in college attendance**
  - **Rising civilian pay for those with more education**
  - **Enlisted force more educated**
  - **Survey data show that “pay matters”**

Distribution of Education by Rank

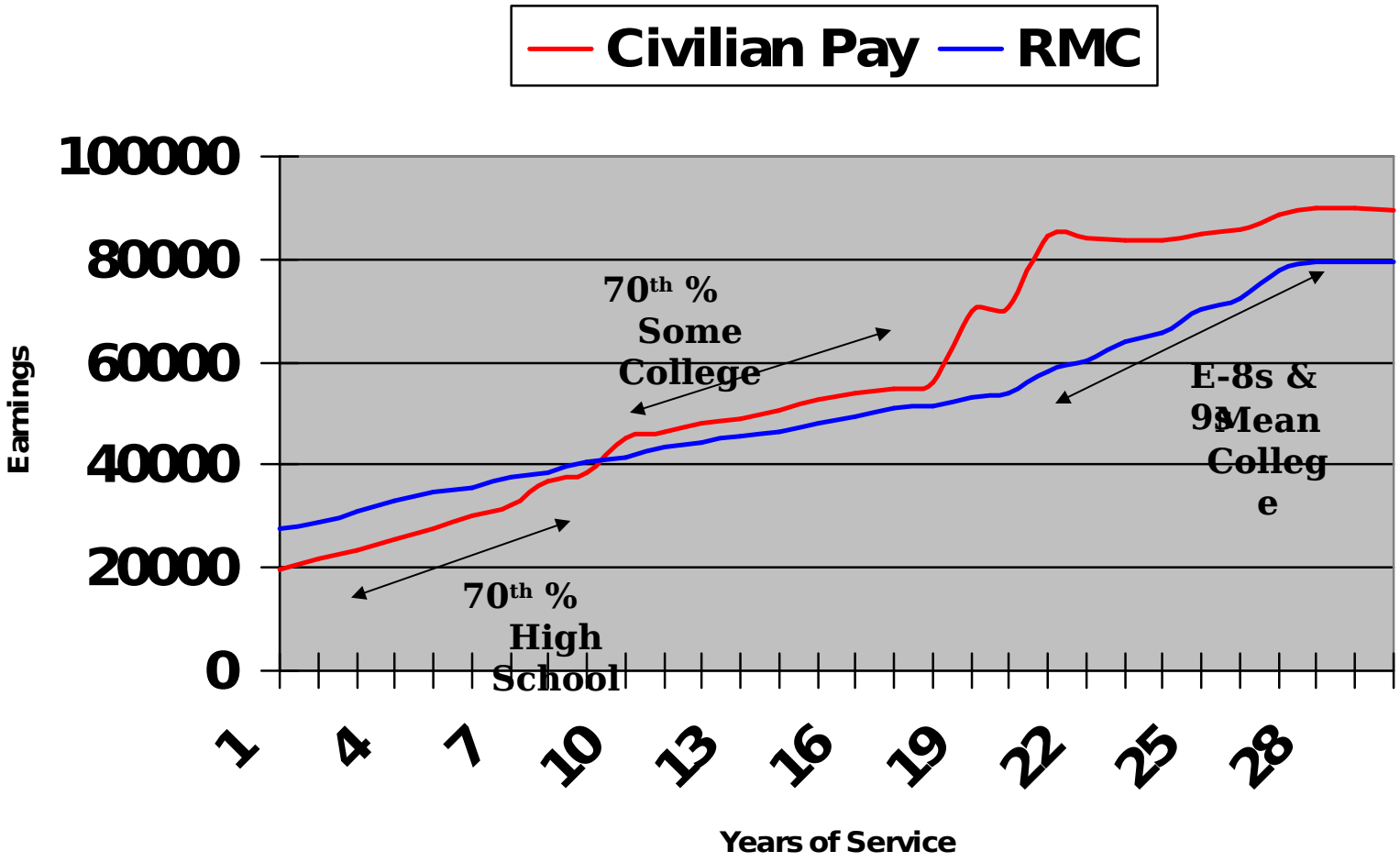


Source: 1999 DoD Active Duty Survey

Military vs. Civilian Pay

- QRMC compared RMC to 70th percentile earnings of HSDG with some college
  - RMC is Basic Pay, BAH, BAS and Tax Advantage
- Less than 70th percentile
  - Recruiting and retention problems appear
- Analysis based on years of service
  - For example, 16th year of service includes E-6's, E-7's and E-8's.
- Largest 'shortfall' at mid-grade and senior NCO's
  - E-5's through E-9's

Civilian Pay in Comparison to 2003 Enlisted RMC



Pay Raise -- FY03

- President's FY 03 budget proposal—included in House & Senate NDAA Conference Bill
  - On average, military pay will increase 4.7%—all members will receive a minimum of 4.1% in basic pay; some will receive targeted pay raises between 5% and 6.5%
  - Like FY 02, pay raise targets mid-level officers and NCOs
- FY 03 initiative continues effort of previous years to reduce disparity between military pay and private sector, which contributes to quality force retention

Department's FY-03
Military Pay Raise Proposal

- **Targeting**
  - **E5-E9 pay grades 5.5% to 6.5%**
  - **O-3's 5%; O-4's 5.5%**
  - **Warrants (W1-W3) 5.5% to 6%**
- **"Bump ups" for selected officer pay cells**
  - **O-4 thru O-6**
  - **Ensure raises for promotion > raises for longevity**

Proposed FY-03 Pay Table

MONTHLY BASIC PAY TABLE

DRAFT — EFFECTIVE 1 JANUARY 2003 — DRAFT

PAY GRADE	YEARS OF SERVICE: <2	2	3	4	6	8	10	12	14	16	18	20	22	24	26
COMMISSIONED OFFICERS															
O-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12077.70	12137.10	12389.40	12829.20
O-9	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10563.60	10715.70	10935.60	11319.60
O-8	7474.50	7719.30	7881.60	7927.20	8129.40	8468.70	8547.30	8868.90	8961.30	9238.20	9639.00	10008.90	10255.80	10255.80	10255.80
O-7	6210.90	6499.20	6633.00	6739.20	6930.90	7120.80	7340.40	7559.40	7779.00	8468.70	9051.30	9051.30	9051.30	9051.30	9096.90
O-6	4603.20	5057.10	5388.90	5388.90	5409.60	5641.20	5672.10	5672.10	5994.60	6564.30	6898.80	7233.30	7423.50	7616.10	7989.90
O-5	3837.60	4323.00	4622.40	4678.50	4864.80	4977.00	5222.70	5403.00	5635.50	5991.90	6161.70	6329.10	6519.60	6519.60	6519.60
O-4	3311.10	3832.80	4088.70	4145.70	4383.00	4637.70	4954.50	5201.40	5372.70	5471.10	5528.40	5528.40	5528.40	5528.40	5528.40
O-3	2911.20	3300.30	3562.20	3883.50	4069.50	4273.50	4405.80	4623.30	4736.10	4736.10	4736.10	4736.10	4736.10	4736.10	4736.10
O-2	2515.20	2864.70	3299.40	3410.70	3481.20	3481.20	3481.20	3481.20	3481.20	3481.20	3481.20	3481.20	3481.20	3481.20	3481.20
O-1	2183.70	2272.50	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80	2746.80
COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER															
O-3E	0.00	0.00	0.00	3883.50	4069.50	4273.50	4405.80	4623.30	4806.30	4911.00	5054.40	5054.40	5054.40	5054.40	5054.40
O-2E	0.00	0.00	0.00	3410.70	3481.20	3591.90	3778.80	3923.40	4031.10	4031.10	4031.10	4031.10	4031.10	4031.10	4031.10
O-1E	0.00	0.00	0.00	2746.80	2933.70	3042.00	3152.70	3261.60	3410.70	3410.70	3410.70	3410.70	3410.70	3410.70	3410.70
WARRANT OFFICERS															
W-5	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5169.30	5346.60	5524.50	5703.30
W-4	3008.10	3236.10	3329.10	3420.60	3578.10	3733.50	3891.00	4044.60	4203.60	4356.00	4512.00	4664.40	4822.50	4978.20	5137.50
W-3	2747.10	2862.00	2979.30	3017.70	3141.00	3281.70	3467.40	3580.50	3771.90	3915.60	4058.40	4201.50	4266.30	4407.00	4548.00
W-2	2416.50	2554.50	2675.10	2763.00	2838.30	2993.10	3148.50	3264.00	3376.50	3453.90	3579.90	3705.90	3831.00	3957.30	3957.30
W-1	2133.90	2308.50	2425.50	2501.10	2662.50	2782.20	2888.40	3006.90	3085.20	3203.40	3320.70	3409.50	3409.50	3409.50	3409.50
ENLISTED MEMBERS															
E-9	0.00	0.00	0.00	0.00	0.00	0.00	3564.30	3645.00	3747.00	3867.00	3987.30	4180.80	4344.30	4506.30	4757.40
E-8	0.00	0.00	0.00	0.00	0.00	2975.40	3061.20	3141.30	3237.60	3342.00	3530.10	3625.50	3787.50	3877.50	4099.20
E-7	2068.50	2257.80	2343.90	2428.20	2516.40	2667.90	2753.40	2838.30	2990.40	3066.30	3138.60	3182.70	3331.50	3427.80	3671.40
E-6	1770.60	1947.60	2033.70	2117.10	2204.10	2400.90	2477.40	2562.30	2636.70	2663.10	2709.60	2709.60	2709.60	2709.60	2709.60
E-5	1625.40	1733.70	1817.40	1903.50	2037.00	2151.90	2236.80	2283.30	2283.30	2283.30	2283.30	2283.30	2283.30	2283.30	2283.30
E-4	1502.70	1579.80	1665.30	1749.30	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00	1824.00
E-3	1356.90	1442.10	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80	1528.80
E-2	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00	1290.00
E-1 >4	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80	1150.80
E-1 <4	1064.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

C/S 14155.50 M/S 5732.70

DRAFT — DRAFT

FY2003 Targeted Pay Raise Increase

UNOFFICIAL

Growth in Monthly Basic Pay

Growth from 1999 to 2003

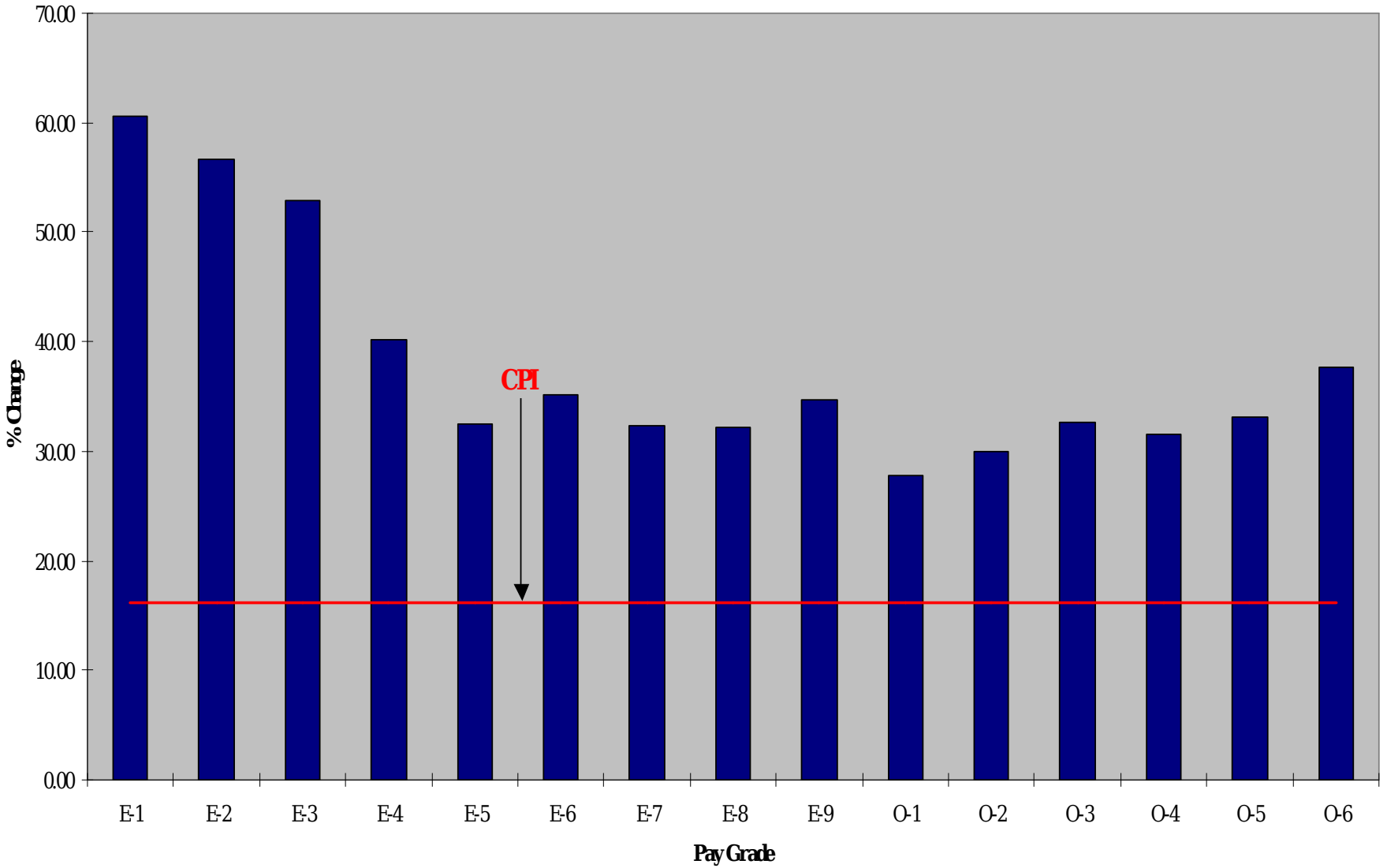
PAY GRADE	YEARS OF SERVICE <2	2	3	4	6	8	10	12	14	16	18	20	22	24	26
COMMISSIONED OFFICERS															
O-10	-	-	-	-	-	-	-	-	-	-	-	18.79%	19.38%	21.86%	18.79%
O-9	-	-	-	-	-	-	-	-	-	-	-	18.79%	20.50%	22.97%	18.79%
O-8	18.79%	19.10%	18.80%	19.48%	22.53%	18.79%	19.89%	18.79%	20.03%	18.79%	18.79%	18.79%	18.79%	18.79%	18.79%
O-7	18.79%	16.39%	18.79%	20.69%	18.79%	22.05%	18.92%	22.47%	20.02%	18.79%	18.79%	18.79%	18.79%	18.79%	19.39%
O-6	18.79%	18.79%	18.79%	18.79%	19.24%	24.35%	25.03%	25.03%	27.79%	20.84%	20.83%	23.98%	20.27%	19.36%	19.36%
O-5	23.81%	18.79%	18.80%	20.24%	25.03%	27.91%	30.31%	27.90%	25.02%	23.67%	20.29%	19.92%	19.35%	19.35%	19.35%
O-4	26.75%	20.48%	20.49%	22.17%	26.81%	28.51%	28.51%	27.74%	26.20%	23.09%	21.06%	21.06%	21.06%	21.06%	21.06%
O-3	19.92%	21.60%	22.75%	20.96%	20.95%	22.63%	19.92%	19.92%	19.92%	19.92%	19.92%	19.92%	19.92%	19.92%	19.92%
O-2	18.80%	23.90%	18.78%	18.79%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
O-1	18.80%	18.79%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
COMMISSIONED OFFICERS WITH OVER 4 YEARS ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER															
O-3E	-	-	-	20.96%	20.95%	22.63%	19.92%	19.92%	19.92%	22.53%	26.11%	26.11%	26.11%	26.11%	26.11%
O-2E	-	-	-	18.79%	18.80%	18.80%	18.79%	18.78%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%	18.80%
O-1E	-	-	-	18.80%	18.78%	18.79%	18.80%	18.78%	18.79%	18.79%	18.79%	18.79%	18.79%	18.79%	18.79%
WARRANT OFFICERS															
W-5	-	-	-	-	-	-	-	-	-	-	-	22.46%	22.04%	22.55%	21.41%
W-4	21.63%	21.94%	25.45%	26.03%	26.08%	26.01%	26.03%	22.45%	21.62%	21.75%	22.82%	23.01%	23.06%	23.19%	21.62%
W-3	22.21%	17.37%	22.18%	22.18%	25.71%	22.37%	22.18%	22.18%	24.76%	25.74%	26.41%	25.96%	23.44%	27.51%	27.12%
W-2	22.73%	19.91%	25.57%	26.04%	22.76%	22.75%	24.39%	24.40%	24.41%	22.94%	23.36%	23.81%	23.03%	27.08%	27.08%
W-1	30.08%	22.75%	28.97%	22.73%	24.98%	25.24%	24.93%	24.91%	23.47%	23.60%	23.83%	22.75%	22.75%	22.75%	22.75%
ENLISTED MEMBERS															
E-9	-	-	-	-	-	-	23.88%	23.89%	24.55%	25.63%	26.70%	30.34%	28.69%	28.48%	28.42%
E-8	-	-	-	-	-	23.33%	23.31%	23.32%	23.88%	24.57%	28.66%	28.96%	27.24%	24.72%	23.90%
E-7	22.77%	24.13%	24.31%	24.39%	24.65%	28.09%	28.09%	28.04%	29.09%	28.70%	28.18%	28.31%	25.85%	23.35%	23.34%
E-6	22.17%	23.28%	23.59%	23.42%	23.83%	30.19%	29.60%	27.48%	27.17%	24.43%	24.72%	24.72%	24.72%	24.72%	24.72%
E-5	27.81%	25.25%	25.22%	25.67%	26.18%	28.07%	28.09%	26.07%	23.82%	23.82%	23.82%	23.82%	23.82%	23.82%	23.82%
E-4	26.71%	26.10%	25.53%	22.45%	22.80%	22.80%	22.80%	22.80%	22.80%	22.80%	22.80%	22.80%	22.80%	22.80%	22.80%
E-3	21.39%	22.32%	24.72%	19.93%	19.93%	19.93%	19.93%	19.93%	19.93%	19.93%	19.93%	19.93%	19.93%	19.93%	19.93%
E-2	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%	19.91%
E-1 >4	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%	19.95%
E-1 <4	19.94%	-	-	-	-	-	-	-	-	-	-	-	-	-	-

C/S 18.79% M/S 27.31%

Housing Allowance

- **Basic Allowance for Housing (BAH)**
  - **Tied to local housing costs**
  - **Average member's BAH will be increased 8% starting January 2003**
  - **Out-of-Pocket Expense reduced from 11.3% in FY 02 to 7.5% in FY 03**
  - **Scheduled to be zero for the "average member" by 2005**

Growth of BAH from 1998-2002

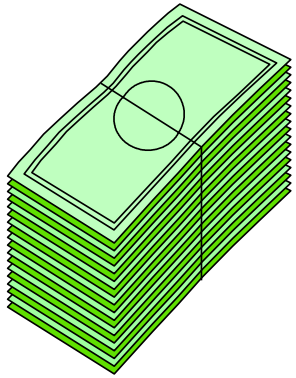


Basic Allowance for Subsistence Reform

- New BAS law in effect as of 1 Jan 2002
  - Transparent to member, but gives Services more flexibility
  - Long-Term Objective: Transition to full “Pay as you go” system
  - Will take years to achieve long-term objective
  - Cost to do so: $230M approx.
- BAS provision in proposed FY 03 Defense bill will pay enlisted members in single government quarters 2 x BAS rate if no dining facility available

Social Assistance Programs

- Member participation in federal social aid programs getting a lot of attention
  - Estimate approximately 2100 members (DoD wide) qualify for food stamps
    - Conducting survey of 14 states using SSN matching process to validate
    - Completion estimated Winter 2002
  - Family Subsistence Supplemental Allowance (FSSA) program started on 1 May 2001
    - Intended to remove members from eligibility for food stamps
    - To date approx 610 have signed up
  - Other programs of interest
    - National School Lunch Program
    - Women, Infants and Children (WIC) Program



HHG Weight Allowance Initiative

- **Current standards established in mid-1980's for most pay grades. HHG weight allowance for E-1 to E-4 will be increased from 1,500 lbs to 5,000 lbs for members without dependents and from 5,000 lbs to 8,000 lbs for members with dependents on January 1, 2003.**
- **Data analysis indicates for FY 2001:**
  - **On average individual pay grades (O-6 and below) were using from 10 to 50 percent of their existing allowance.**
  - **Less than 2 percent of Service members exceeded their shipping weight allowance.**
- **Anecdotal evidence, however, indicates that military families have to sell items at garage sales prior to PCS.**

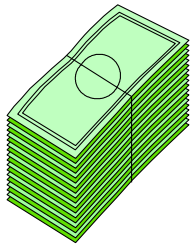
Special & Incentive Pays

Critical Skills Retention Bonus

- **For members who extend active duty in Secretary of Defense designated critical skills**
- **Minimum of 1 year service agreement required**
- **Not payable for service past 25 years of active duty**
- **Up to $200,000 payable over an individual's career (for one or more service contracts)**

Critical Skills Officer Accession Bonus

- **Establishes authority to pay new officers in critical skills an accession bonus of up to $60,000 in lump sum or installments**



Assignment Incentive Pay (AIP)

- **FY03 Defense Bill includes authority for up to $1,500/month in AIP, payable to encourage volunteers for hard-to-fill jobs**
- **Flexible; adjustments can be based on supply/demand of qualified volunteers for jobs or locations**
  - **Existing pays not readily responsive to market demands**
    - **Eligibility requirements for existing incentives narrowly focused *(i.e.Targeted SRB requires member in reenlistment window)***
  - **Service can tailor to individual distribution challenges: geographic location; billet; type of duty**
- **Program implementation / management …Service Secretary discretion**
- **Significant "Headroom": Up to $1,500/month**

Combat Zone (CZ)/ Qualified Hazardous Duty Areas (QHDAs)

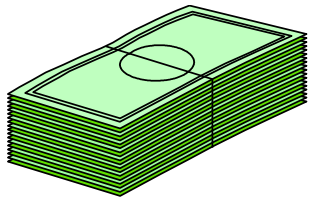
- Members serving in a CZ/QHDA receive major tax break
  - President establishes a CZ by Executive Order
  - Congress creates a QHDA by legislation
  - Benefits are the same for CZ and QHDA
  - All pay of enlisted members is tax free in CZ
  - Officers get up to top enlisted pay plus $150 per month tax free – currently $5532.90 per month

Combat Zone (CZ)/ Qualified Hazardous Duty Areas (QHDAs)

- Three existing combat zones
  - Arabian Peninsula (created 17 Jan 91)
  - Kosovo (created 24 Mar 99)
  - Afghanistan (created 19 Sep 01)
- Two existing QHDAs
  - Former Yugoslavia (created 21 Nov 95)
  - Kosovo (created 24 Mar 99) (identical to Kosovo CZ)
- ASD (FMP) may extend CZTE to troops serving in direct support of a CZ/QHDA if receiving HFP/IDP based on threat from CZ/QHDA

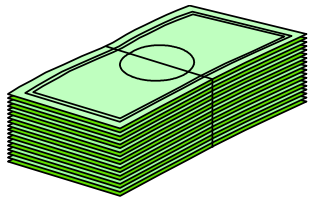
Imminent Danger Pay

- Paid in designated areas where members are in imminent danger due to civil war, civil insurrection, terrorism or wartime conditions
- ASD(FMP) designates IDP areas based on recommendation from Joint Staff, supported by CINC's assessment of threat that places members in imminent danger of personal harm
  - $150 paid for any month in which duty performed in designated area
  - Currently, locations in 46 countries and 5 sea areas are designated for IDP



Hardship Duty Pay-Location

- **HDP-L: paid to recognize members in areas where QoL is substantially below that in US (i.e. physical environment, family/social isolation, living conditions, personal security)**
  - **By law, up to $300/mo. By policy, max. is $150/mo.**
    - **$50, $100, or $150 a month paid, depending on level of arduousness in area**
    - **In IDP areas, max HDP-L paid is $100 (since personal security issues covered in the IDP payments)**
  - **Currently, locations in roughly 125 countries designated for HDP-L**



COMPARISON OF MILITARY COMPENSATION FOR VARIOUS DUTY ASSIGNMENTS

Monthly Pay (Married E6, 12 years of service, 2 children)	CONUS Duty Station (with family in off-post housing)	Okinawa/ Iwakuni (1 Yr PCS Unacc'd)	Korea, Other than DMZ (1 Yr PCS Unacc'd)	Korea DMZ (1 Yr PCS Unacc'd)	Diego Garcia (1 Yr PCS Unacc'd)	Assigned to Sea Duty (not in CZ or IDP area)	Bosnia/ Kosovo (6 mo. TDY; JTF Dining Facility Designated)	Afghanistan (6 mo. TDY; JTF Dining Facility Designated)
Basic Pay (BP)	$ 2,417	$ 2,417	$ 2,417	$ 2,417	$ 2,417	$ 2,417	$ 2,417	$ 2,417
Family Separation Allowance (FSA)	$ -	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100
Hardship Duty Pay-Location (HDP-L)	$ -	$ -	$ 50	$ 150	$ 150	$ -	$ -	$ 100
Career Sea Pay *(1)*	$ -	$ -	$ -	$ -	$ -	$ 350	$ -	$ -
Temporary Duty - Per Diem (Incidental Expense Portion)	$ -	$ -	$ -	$ -	$ -	$ -	$ 105	$ 105
Imminent Danger Pay	$ -	$ -	$ -	$ -	$ -	$ -	$ 150	$ 150
Combat Zone Tax Exclusion *(2)*	$ -	$ -	$ -	$ -	$ -	$ -	$ 145	$ 160
Sub-total	$ 2,417	$ 2,517	$ 2,567	$ 2,667	$ 2,667	$ 2,867	$ 2,917	$ 3,032
Basic Allowance for Housing (BAH) *(3)*	$ 933	$ 933	$ 933	$ 933	$ 933	$ 933	$ 933	$ 933
Basic Allowance for Subsistence (BAS) *(4)*	$ 242	$ 242	$ 242	$ 242	$ 242	$ 242	$ 242	$ 242
Grand total	$ 3,592	$ 3,692	$ 3,742	$ 3,842	$ 3,842	$ 4,042	$ 4,092	$ 4,207
Difference (from CONUS station)		$ 100	$ 150	$ 250	$ 250	$ 450	$ 500	$ 615

1. Assumes member has 7 years of sea duty

2. Assumes no spousal income

3. Assumes average for all married E-6s. For members assigned overseas or deployed, in addition to continued receipt of housing allowance to maintain family in CONUS, member is quartered at government expense.

4. Members in Okinawa, Korea, Diego Garcia serving 1 Year PCS Unaccompanied, and those assigned to sea duty, have $202/month deducted from their BAS to pay for the meals they are provided in a dining facility.

Members in Bosnia/Kosovo and Afghanistan are assigned on temporary duty. Government provides them meals. Under TDY allowance rules, the meals portion of their TDY per diem is withheld in exchange for those meals.

Military Retired Pay

Key Component of Compensation System

Three Retirement Systems

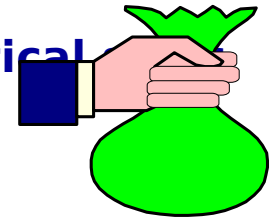
AFTER 20 YRS	FINAL BASIC PAY	HIGH-THREE	MILITARY RETIREMENT REFORM ACT (MRRA)/w choice of CAREER STATUS BONUS
APPLIES TO:	Persons in Service Before September 8, 1980	Persons Joining From September 8, 1980 Thru July 31, 1986	Persons Joining After July 31, 1986
BONUS AT 15YRS	NONE	NONE	$30,000
BASIS OF COMPUTATION:	Final Rate of Basic Pay	Highest 36 Months of Basic Pay	Highest 36 Months of Basic Pay
MULTIPLIER:	2.5 Percent Per Year of Service	2.5 Percent Per Year of Service	2.5 Percent Per Year of Service Less 1.0 point per each year short of 30 (Restored at age 62)
COST OF LIVING ADJUSTMENT:	Full CPI-W	Full CPI-W	CPI-W minus 1 Percent (One-Time Catch up at age 62)

Retirement Reform
…for those entering after July '86

- **Choice at 15 years of service for all members now under REDUX system**
  - **Revert to pre-'86 High-Three System**
    - **Full 50% multiplier at 20 years of service**
    - **Full CPI Cost-of-Living Adjustments (COLAs)**
  - **Retain REDUX and receive $30K immediate Career Status Bonus (or paid in equal installments for 2, 3, 4 or 5 years)**
  - **REDUX retirement provides**
    - **40% multiplier at 20 years of service**
    - **Recomputed at age 62 to 50% multiplier**
    - **COLAs of CPI-1% with one-time readjustment at age 62**

Thrift Savings Plan

- More than 250,000 active and reserve component members began contributing to the Federal Thrift Savings Plan in January 2002
- Current open season is 15 Oct - 31 Dec
- Features:
  - All may contribute up to 8% of basic pay in 2003
    - Generally, no government matching
  - May contribute special pays (including bonuses)
    - up to a maximum of $12K in 2003
  - Special retention incentive
    - Government match up to 4% for 6 years for critical [illegible]
    - Service Secretary discretion



TSP Participation

(As of July 2002)

	Active Duty Contributing	Reserve/Guard Contributing	Total
Army	49,695	25,264	74,959
Navy	73,994	4,100	78,094
Air Force	58,048	20,873	78,921
Marine Corps	18,912	573	19,485
Total	200,649	50,810	251,459

Federal Long Term Care Insurance Program

- Implements Public Law 106-265 to provide low cost, long term health care for military personnel and federal civilian employees
- Office of Personnel Management serves as executive agent for federal program
- Contractor insurance carrier is “LTC Partners”
  - Open season underway from 1 Jul to 31 Dec 02
  - Information available at www.LTCFEDS.com or 1-800-LTC FEDS